

THE METROPOLITAN *Collection*

BRISBANE SYNDICATE
ARSN 093 295 544

2002 ANNUAL REPORT

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The Metropolitan Collection – Brisbane is a multiple asset, fixed term direct property investment. It owns three Brisbane properties being:-

- Anzac Square Offices, a landmark heritage commercial property located in the Brisbane CBD;
- The Precinct, a modern office and retail property in the inner Brisbane suburb of Coorparoo;
- A retail/industrial property in the growing retail warehouse precinct of MacGregor.

The Fund has a two-tiered structure which enabled investors to invest directly into a Syndicate or via a Trust.

Interests/Units in the Syndicate/Trust are not listed on any exchange.

The Fund is managed by Property Funds Australia Limited. Details of the Manager can be obtained from the Manager's website www.pfaltd.com.au.



HIGHLIGHTS

FINANCIAL YEAR 2001/02

Distribution rate per annum	9.7%
Tax Sheltered Percentage	124.45% Syndicate 100% Trust
Est. Net Asset Backing** per interest/unit	100.6¢
% Borrowings to Total Assets*	58.4%
Book Value of Properties*	\$37.35M
Total Owners' Equity*	\$16.71M
Percentage of Nett Lettable Area unlet*	5.46%~
Capital Expenditure during year	\$750,560
Weighted Average Interest Rate*	7.0%

* as at 30 June, 2002

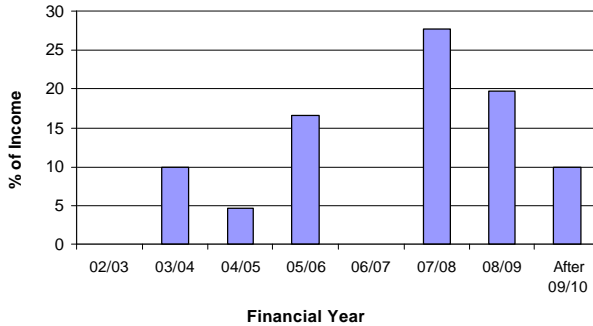
~ Does not include areas subject to rental guarantee

** This amount is calculated by dividing syndicate/trust equity (as at the balance date) by contributed capital. It should not be interpreted as indicative of realizable value as at balance date. The amount contains intangible assets (see Note 8) and is not a NTA.

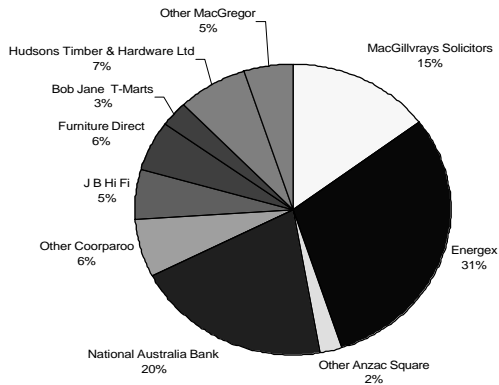


PORTFOLIO STATUS

LEASE EXPIRY PROFILE



TENANT BREAKDOWN (BY INCOME)



MANAGER'S REPORT

The Directors of Property Funds Australia Limited (the Manager) as responsible entity submit the following Annual Report of The Metropolitan Collection – Brisbane Syndicate and The Metropolitan Collection – Brisbane Property Trust (collectively referred to as the Fund) for the financial year ended 30 June, 2002.

DIRECTORS OF THE MANAGER

The name of each person who has been a director of the Manager during the year and to the date of this report are:

Christopher A Morton	
Rodney M Keown	(resigned 16 August, 2001)
Archibald N Douglas	
Clive D Schultz	(resigned 28 February, 2002)
David J Conquest	
Elizabeth A Pidgeon	(appointed 30 August, 2001)
Matthew B Madsen	(appointed 30 August, 2001)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activity of the Syndicate is to invest in three properties being the properties referred to in the Prospectus. The principal activity of the Trust is to invest via the Syndicate into the same three properties. There has been no significant change in the nature of the activities of the Syndicate or the Trust during the year.

DISTRIBUTIONS – FOR THE YEAR ENDED 30 JUNE, 2002

Distributions for the year equated to 9.7% per annum on the contributed capital subscribed by investors in the Fund.

DISTRIBUTION POLICY – FOR THE YEAR ENDING 30 JUNE, 2003

Proposed distributions for the year ending 30 June, 2003 equate to a distribution of 9.7% per annum on the contributed capital subscribed by investors in the Fund.

The Board will continue to monitor the appropriateness of the proposed distribution rate throughout the current financial year.

OPERATING RESULTS

The Syndicate's accounting loss was \$352,479. Adding back non-cash items being accounting depreciation and amortisations, the Syndicate had a profit of \$887,800.

The Trust's accounting loss was \$161,030. This result is reflective of the Syndicate's accounting loss result which is a consequence of deducting non-cash items.



REVIEW OF OPERATIONS

Set out below is a brief summary of the year:-

Anzac Square Offices

- An increase in the value of Anzac Square offices from \$16,286,000 to \$18,100,000;
- An extension of the Energex lease over three floors by a further four years through to June, 2008. As part of this transaction, the Fund has agreed to a surrender of Energex's lease of one floor out of their four floors;
- The lease of one-half of the surrendered Energex floor to MacGillivrays Solicitors (already a tenant of level 2 of the building) through to 30 April, 2006 (contemporaneous with their level 2 lease);
- A seven year lease of the property's "heritage corridor" area as a "Golden Espresso" coffee shop.

MacGregor Property

- An increase in the value of this property from \$10,050,000 to \$10,300,000;
- The issue in October, 2001 of a development approval for a revised expanded "retail warehouse" concept involving the demolition of the old Chandlers building. This was not eventually acted upon due to September 11 uncertainties and certain leases which eventuated as outlined below.
- Two, ten (10) year leases to JB Hi-Fi and Furniture Direct over a refurbished "old Chandlers" building. These transactions necessitated the expenditure of almost \$600,000 in refurbishment and other costs;
- The surrender of the Tracksons Lighting lease (previously to expire in September, 2005) to facilitate the above leases;
- A new three year lease to the MacGregor Café, the tenant of the balance 79m² of the "old Chandlers" building;
- The commencement of the Sanofi Synthelabo Australia Pty Ltd lease of 493m² of Building 1 for a term of six years;
- A refocus on letting the remaining two vacant areas in Building 1 given that they were previously left vacant to accommodate temporary tenant relocations expected to be required to enable the redevelopment of the "old Chandlers" building.

Coorparoo Property

There has been no change in the status of this property of any reportable significance.



General

- Bank overdraft funds have been used to fund the MacGregor "old Chandlers" building refurbishment and tenancy related works primarily associated with JB Hi-Fi, Furniture Direct and MacGillivrays tenancies. This has seen the outstanding balance become \$963,144 as at 30 June, 2002. It is the Manager's intention to (in the near future) convert this outstanding balance across to a fixed term facility to minimise interest cost.
- After a comprehensive tender process, the appointment of Knight Frank to take over property management functions from PRD Realty and FPD Savills;
- The introduction of "inhouse" registry services rather than using external providers.

AUSTRALIAN PROPERTY EXCHANGE ("APX")

On 7 January, 2002, after many months of ASIC negotiations, comment and input, ASIC released the APX Application for a Stock Exchange Licence for public comment and consultation. ASIC then requested a further amended application after the Financial Services Reform Act came into being on 11 March, 2002 which request was complied with.

We are advised that ASIC still have not recommended the application to the Minister and meetings are pending between the Minister and representatives of the APX. The matter currently is in a state of flux.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the Fund's state of affairs during the financial year other than those referred to elsewhere in this report.

AFTER BALANCE DATE EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event (other than as disclosed in this report) of a material or unusual nature likely, in the opinion of the Manager, to significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund, in future financial years.

FUTURE DEVELOPMENTS

Given the lease expiry profile of the Fund's portfolio, the results of operations in future financial years are difficult to anticipate beyond 30 June, 2003.

ENVIRONMENTAL ISSUES

The Funds operations are not subject to any significant environmental regulation under Commonwealth or State legislation other than that which any real property located in the Queensland or the ACT could be subjected.

OPTIONS

No options over capital in the Fund were granted during or since the end of the financial year and there were no options outstanding at the date of this report.



INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

No insurance premiums are paid out of the assets of the Fund in regards to insurance cover provided to the Manager, the Trustee or the Auditors of the Fund. As long as the officers of the Manager act in accordance with the relevant Constitution and the law, the Manager remains indemnified out of the assets of the Syndicate/Trust (as the case may be) against losses incurred while acting on behalf of the relevant entity. The auditors are in no way indemnified out of the assets of the Fund.

PROCEEDINGS ON BEHALF OF MANAGER

No person has applied for leave of the Court to bring proceedings on behalf of the Manager or intervene in any proceedings to which the Manager is a party for the purpose of taking responsibility on behalf of the Manager for all or any part of those proceedings.

Signed in accordance with a resolution of the Board of Directors of the Manager.

Christopher A. Morton
Managing Director

25 September, 2002



CORPORATE GOVERNANCE

The Corporate Governance practices of the Manager are set out below. Unless otherwise stated, these practices were in place for the entire period.

THE MANAGER

Property Funds Australia Limited (the Manager) is the Responsible Entity of the Fund. The role of the Responsible Entity is to manage the Fund in the Investors' best interests in accordance with the Constitution and the Law.

The Corporations Act (2001) (Cwth) empowers the Manager to engage agents to act on its behalf, however it remains fully responsible for the actions of those agents.

THE BOARD OF THE MANAGER

The Directors of the Board of the Manager are appointed by the shareholders of the Manager. They hold office until removed by the shareholders of the Manager or until they retire. Ultimate responsibility for corporate governance matters resides with the Board of Directors who are currently as follows:-

Christopher A Morton (Managing Director)

Archibald N Douglas (Non-Executive)

Elizabeth A Pidgeon (Non-Executive)

David J Conquest (Executive)

Matthew B Madsen (Executive)

The Board has access to all documents and information necessary to discharge its duties and responsibilities. Board meetings are generally held monthly with additional meetings held as necessary.

COMPLIANCE MONITORING AND REPORTING

The Manager engages a Compliance Officer. The Compliance Officer is responsible for reviewing and monitoring the efficiency of compliance systems on an ongoing basis, and ensuring appropriate compliance measures are in place. The Compliance Officer prepares regular reports to the Compliance Committee.

THE COMPLIANCE COMMITTEE

The Compliance Committee is appointed by the Board of the Manager. The Committee currently consists of three members, two of whom are independent of the Manager, including the chair of the Compliance Committee. The members are:-

- Mr Bede King (External Chairman): Mr King is a senior legal practitioner previously practising in corporate and property areas of the law and is a partner of the legal firm Tobin King Lateef.
- Mr Ray Kellerman (External Member): Mr Kellerman is the former Head of Compliance Services, Perpetual Trustees Limited, a long established trustee company.
- Mr Chris Morton (Managing Director).



The Committee has a statutory obligation to monitor the extent to which the Manager complies with the Fund's Compliance Plan and the Corporations Act.

The Committee generally meets bi-monthly, or as necessary. It is provided by the compliance officer with comprehensive compliance reports. The Committee reports its findings to the Board of the Manager.

INDEPENDENT PROFESSIONAL ADVICE

Under the Corporations Act, the Compliance Committee, in carrying out its functions, may commission independent legal, accounting or other professional advice or assistance, at the reasonable expense of the Fund.

ACCESS TO INFORMATION

The Compliance Committee has access to all information relevant to the Manager's compliance with the Compliance Plan and the Corporations Act.

FUNDS MANAGEMENT REVIEW COMMITTEE

The Funds Management Review Committee is a committee of the senior executives of the Manager (currently comprising the Managing Director, an Executive Director and the Fund Manager). The Committee (which was recently established) reviews significant matters as they arise (including capital expenditures, leasing proposals and distributions).

RISK MANAGEMENT

A number of risk management related issues relating to the Fund are considered and dealt with in the Compliance Plan. Both the Board and the Compliance Committee consider risk management issues relating to their particular area of focus with the intent of developing mechanisms and systems to deal with risk.

REMUNERATION OF EXPENSES

The Directors of the Manager are remunerated by the Manager itself. There is no remuneration payable to the Directors by the Fund. The Board of the Manager contractually establishes the remuneration of the external Compliance Committee Members.

The Fund meets the costs associated with external Compliance Committee Members and committee related costs.

AUDIT

The Manager does not have a formally constituted audit committee.

The Manager has appointed an external auditor to audit the operations of the Fund and its financial statements. An external auditor has also been appointed to audit the Manager's compliance with the Compliance Plan.



STATEMENT OF FINANCIAL PERFORMANCE

for the Year Ended 30 June, 2002

	Note	2002 \$	2001 \$
Revenue from ordinary activities	2	3,895,233	4,192,449
Expenses from ordinary activities			
Property expenses	2	(799,574)	(859,754)
Fund expenses			
Direct expenses	2	(593,243)	(353,745)
Amortisation/depreciation	2	<u>(1,170,623)</u>	<u>(1,455,691)</u>
		(1,763,866)	(1,809,436)
Borrowing costs			
Interest	2	(1,614,616)	(1,534,677)
Amortisation	2	<u>(69,656)</u>	<u>(69,178)</u>
		(1,684,272)	(1,603,855)
Profit/(Loss) from ordinary activities before income tax expense		(352,479)	(80,596)
Income tax expense relating to ordinary activities	1(d)	-	-
Profit/(Loss) after income tax expense attributable to Syndicate members		(352,479)	(80,596)
Increase in asset revaluation reserve	12	6,061,904	-
Total changes in Syndicate equity other than those resulting from transactions with Syndicate members as Syndicate members		5,709,425	(80,596)

To be read in conjunction with the notes to the financial statements



STATEMENT OF FINANCIAL POSITION

as at 30 June, 2002

	Note	2002 \$	2001 \$
CURRENT ASSETS			
Cash assets	4	118,112	755,149
Receivables	5	77,700	9,171
Other	6	27,791	24,879
TOTAL CURRENT ASSETS		223,603	789,199
NON-CURRENT ASSETS			
Investment – Property	7	37,353,501	31,586,167
Other	8	3,073,258	3,155,164
TOTAL NON-CURRENT ASSETS		40,426,759	34,741,331
TOTAL ASSETS		40,650,362	35,530,530
CURRENT LIABILITIES			
Payables	9	201,670	144,204
Interest bearing liabilities	10	963,144	-
TOTAL CURRENT LIABILITIES		1,164,814	144,204
NON-CURRENT LIABILITIES			
Interest bearing liabilities	10	22,775,000	22,775,000
TOTAL NON-CURRENT LIABILITIES		22,775,000	22,775,000
TOTAL LIABILITIES		23,939,814	22,919,204
NET ASSETS		16,710,548	12,611,326
EQUITY			
Syndicate member's equity	11	10,648,644	12,611,326
Reserves	12	6,061,904	-
TOTAL SYNDICATE EQUITY		16,710,548	12,611,326

To be read in conjunction with the notes of the financial statements



STATEMENT OF CASH FLOWS

for the Period Ended 30 June, 2002

	Note	2002 \$	2001 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Rent & outgoings received		4,091,307	4,459,285
Interest received		10,379	40,310
Payments to suppliers		(1,619,395)	(1,158,068)
Security deposit		-	400
Interest paid		(1,614,616)	(1,534,677)
NET CASH PROVIDED BY OPERATING ACTIVITIES	13	867,675	1,807,250
CASH FLOWS FROM INVESTING ACTIVITIES			
Lease establishment costs		(107,095)	-
Capital improvements to investment property		(750,560)	(109,890)
NET CASH PROVIDED BY INVESTING ACTIVITIES		(857,655)	(109,890)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions to Syndicate members		(1,610,201)	(1,607,623)
Expenses to be reimbursed by related entity		-	(2,500)
NET CASH PROVIDED BY FINANCING ACTIVITIES		(1,610,201)	(1,610,123)
NET INCREASE/(DECREASE) IN CASH HELD		(1,600,181)	87,237
Cash at the beginning of the financial year		755,149	667,912
CASH AT 30 JUNE, 2002	13	(845,032)	755,149

To be read in conjunction with the notes to the financial statements



NOTES TO THE FINANCIAL STATEMENTS

for the Period Ended 30 June, 2002

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and the terms of the Syndicate Constitution.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of material accounting policies adopted by the Syndicate in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Income & Expenditure

Property and other income and expenditure are accounted for on an accrual basis.

(b) Investment - Property

Investment – Property consists of investments in property, primarily of land, buildings and improvements to land and buildings. Investment property is measured on the fair value basis. Annual assessments are undertaken by the Manager to ensure the carrying amount of investment property is not significantly different to the fair value of the investment property.

Where a material variance arises, a revaluation is required to align the carrying amount of investment property with its fair value. Revaluation increments are recognised as increases to the Asset Revaluation Reserve, except to the extent that they represent reversals of prior revaluation decrements. Reversals of prior year revaluation decrements are recognised in the Statement of Financial Performance as a revenue to the extent of the prior revaluation decrements. Revaluation decrements are recognised as expenses in the Statement of Financial Performance, except to the extent that they represent reversals of prior revaluation increments. Reversals of prior revaluation increments are recognised as decreases to the Asset Revaluation Reserve to the extent of the prior revaluation decrements.

Investment – Property are not depreciated as they are held as investments where the value of the land, buildings and improvements is expected to appreciate over time.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2002

(c) Non-Current Other Assets

Other Assets consist of acquisition costs and borrowing costs.

Acquisition costs includes but is not limited to stamp duty on purchase, legal costs, managers fee attributable to property acquisition and due diligence costs.

These costs are capitalised to the extent of the future economic benefits expected to be derived from their initial incurrence.

The borrowing costs are amortised on a straight-line basis over the term of the loan. The acquisition costs are amortised on a straight-line basis over the remaining term of the Syndicate.

(d) Income Tax

The Syndicate itself is not subject to income tax as all the Investors are entitled to its taxable income/tax loss in any one tax year.

(e) Cash

For the purpose of the Statement of Cash flows, Cash includes Cash at Bank.

(f) Comparatives

Comparatives have been amended where necessary to incorporate changes in accounting policies and changes in accounting standards.

(g) Distributions Paid

Distributions have been recognised when paid. No accrual for distribution entitlements is recognised.

(h) Changes in Accounting Policies

In prior years, investments in Land, Buildings and Improvements were recognised as Property, Plant & Equipment. Plant & Equipment was depreciated over their useful life.

As at 30 June, 2002 the Manager has resolved to disclose in accordance with Exposure Draft 103 Investment Property whereby Land, Buildings and Improvements are recognised as an Investment -Property and measured on the fair value basis. Increments/decrements to fair value are reflected in the Asset Revaluation Reserve or the Statement of Financial Performance in accordance with AAS38 Revaluation of Non-Current Assets. Investment-Properties will no be depreciated in the future.

Prospectus Issue & Promotion Costs and Syndicate & Prospectus Legal Costs have been reclassified as an Other Asset better reflecting the nature of the asset. These assets continue to be amortised on a straight line basis over five years from commencement of the Syndicate.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2002

Borrowing Costs have been reclassified as an Other Asset. Borrowing Costs are amortised over five years from the date incurred on a straight line basis.

Acquisition Costs previously recognised in the cost of Property, Plant & Equipment have been reclassified as an Other Asset to better reflect the nature of the asset. Depreciation charged up to 30 June, 2002 has been reclassified as amortisation. The asset will now be amortised over the remaining term of the Syndicate.

The change in accounting policies has resulted in the following changes to disclosure in the 30 June, 2001 Financial Statements:

544 Kessels Road, MacGregor, Brisbane, Queensland

30 June, 2001 carrying value of Property, Plant & Equipment	\$10,550,504
Less transfer of Acquisition Costs	\$ 810,280
At carrying value to Other Assets	
	<hr/>
	\$9,740,224

Anzac Square Offices, Cnr Edward & Adelaide Streets, Brisbane, Queensland

30 June, 2001 carrying value of Property, Plant & Equipment	\$15,381,792
Less transfer of Acquisition Costs At carrying value to Other Assets	\$1,342,869
	<hr/>
	\$14,038,923

The Precinct, Cnr Harries & Holdsworth Streets, Coorparoo, Brisbane, Queensland

30 June, 2001 carrying value of Property, Plant & Equipment	\$ 8,536,950
Less transfer of Acquisition Costs At carrying value to Other Assets	\$729,930
	<hr/>
	\$7,807,020

Total Investment – Property	\$31,586,167
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30 June, 2001 carrying value of Intangibles	\$272,085
Add transfer of Acquisition Costs at carrying value	\$2,883,079
Other Assets	\$3,155,164



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2002

	2002 \$	2001 \$
NOTE 2: REVENUE & EXPENSES FROM ORDINARY ACTIVITIES		
REVENUE FROM ORDINARY ACTIVITIES		
Rent received	3,633,877	4,018,849
Outgoings recovered	250,977	133,290
Interest received	10,379	40,310
	3,895,233	4,192,449
PROPERTY EXPENSES		
Airconditioning maintenance	45,238	38,564
Accounting and legal	1,450	2,005
Body Corporate fees	172,980	107,452
Cleaning	35,999	35,141
Consultants fees	3,750	3,000
Electricity & gas	157,578	276,217
Fire Protection costs	3,881	4,876
Garden maintenance	1,195	342
Insurance	36,084	30,900
Land tax	72,958	72,471
Licences & fees	4,005	-
Lift maintenance	12,609	12,965
Property management costs	40,732	45,018
Rates	171,760	190,801
Repairs & maintenance	36,597	38,353
Telephone	2,758	1,649
	799,574	859,754
DIRECT EXPENSES		
Accountancy	21,040	23,516
Advertising	3,021	1,278
Auditors remuneration	9,340	16,300
Bank charges	1,527	(1,937)
Commission leasing	169,924	-
Compliance committee costs	11,289	8,550
Consultants fees	26,172	9,048
Custodian fees	15,900	15,008
Legal fees	50,343	37,729
Lease surrender fees	62,000	-
Licence & permits	2,510	5,261
Postage	2,081	1,855
Registry fees	5,000	-
Reporting expenses	5,465	12,626
Syndicate Managers fees	207,101	223,963
Travelling expenses	530	548
	593,243	353,745



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2002

	2002 \$	2001 \$
NOTE 2: REVENUE & EXPENSES FROM ORDINARY ACTIVITIES (CONT'D)		
AMORTISATION/DEPRECIATION		
Prospectus issue & promotional costs	15,614	15,614
Syndicate & prospectus legal costs	13,567	13,567
Lease establishment costs	9,961	-
Acquisition costs	86,351	111,194
Depreciation – Plant & Equipment	1,045,130	1,315,316
	1,170,623	1,455,691
BORROWING COSTS		
Interest	1,614,616	1,534,677
Amortisation	69,656	69,178
	1,684,272	1,603,855
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE	(352,479)	(80,596)
NOTE 3: AUDITORS REMUNERATION		
Audit of financial report	10,300	16,300
Other services	-	12,790
	10,300	29,090
NOTE 4: CASH ASSETS		
Cash at bank	118,112	755,149
NOTE 5: RECEIVABLES		
Other debtor - The Metropolitan Collection - Brisbane Property Trust	8,837	8,355
Accrued income	14,800	-
GST recoverable	-	816
Trade debtors	54,063	-
	77,700	9,171
NOTE 6: CURRENT OTHER ASSETS		
Prepaid expenses	27,541	24,629
Deposits refundable	250	250
	27,791	24,879



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2002

	2002 \$	2001 \$
NOTE 7: INVESTMENT – PROPERTY		
Property described as Bretts MacGregor, 544 Kessels Road, MacGregor, Brisbane, Queensland		
Investment in Land & Buildings – at independent valuation	10,300,000	-
Investment in Land & Buildings – at cost	-	9,654,709
Development Works in Progress – at cost	2,100	85,515
	<u>10,302,100</u>	<u>9,740,224</u>
Property described as Anzac Square Offices, Cnr Edward & Adelaide Streets, Brisbane, Queensland		
Investment in Land & Buildings – at independent valuation	18,100,000	-
Investment in Land & Buildings – at cost	-	14,038,923
Development Works in Progress – at cost	31,401	-
	<u>18,131,401</u>	<u>14,038,923</u>
Property described as The Precinct, Cnr Harries Road & Holdsworth Streets, Coorparoo, Brisbane, Queensland		
Investment in Land & Buildings – at directors valuation	8,920,000	-
Investment in Land & Buildings – at cost	-	7,807,020
	<u>8,920,000</u>	<u>7,807,020</u>
TOTAL INVESTMENT – PROPERTY	<u>37,353,501</u>	<u>31,586,167</u>

Independent Valuations

544 Kessels Road: An independent valuation of land and buildings was undertaken by Ian L Gregory AAPI FH KIS, Certified Valuer of Knight Frank. The valuation was based on the current market value as at 19 February, 2002.

Anzac Square Offices: An independent valuation of land and buildings was undertaken by Fraser Bentley AAPI, Certified Practising Valuer of LandMark White. The valuation was based on market value as at 30 June, 2002.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2002

NOTE 7: INVESTMENT – PROPERTY (CONT'D)

	Land	Buildings	P & E	WIP	Total
Property described as Bretts MacGregor					
Carrying amount at the beginning of financial year	2,507,765	7,257,653	699,571	85,515	10,550,504
Net additions	-	429,684	191,979	(83,415)	538,248
Depreciation	-	-	(141,278)	-	(141,278)
Less transfer of Acquisition costs to Other Assets	(203,478)	(559,566)	(47,236)	-	(810,280)
	2,304,287	7,127,771	703,036	2,100	10,137,194
Revaluation increment					<u>164,906</u>
					<u>10,302,100</u>
Property described as Anzac Square					
Carrying amount at the beginning of financial year	1,480,781	10,811,097	3,089,914	-	15,381,792
Net additions	-	94,390	79,170	31,401	204,961
Depreciation	-	-	(601,365)	-	(601,365)
Less transfer of Acquisition costs to Other Assets	(123,510)	(972,643)	(246,716)	-	(1,342,869)
	1,357,271	9,932,844	2,321,003	31,401	13,642,519
Revaluation increment					<u>4,488,882</u>
					<u>18,131,401</u>
Property described as The Precinct					
Carrying amount at the beginning of financial year	1,000,034	6,019,319	1,517,597	-	8,536,950
Net additions	-	-	7,351	-	7,351
Depreciation	-	-	(302,487)	-	(302,487)
Less transfer of Acquisition costs to Other Assets	(107,831)	(505,975)	(116,124)	-	(729,930)
	892,203	5,513,344	1,106,337	-	7,511,884
Revaluation increment					<u>1,408,116</u>
					<u>8,920,000</u>



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2002

	2002 \$	2001 \$
NOTE 8: NON-CURRENT OTHER ASSETS		
Prospectus issue & promotion costs	78,073	78,073
Accumulated amortisation	(50,748)	(35,133)
	27,325	42,940
Borrowing costs	352,042	345,892
Accumulated amortisation	(223,712)	(154,056)
	128,330	191,836
Syndicate & prospectus legal costs	67,835	67,835
Accumulated amortisation	(44,093)	(30,526)
	23,742	37,309
Lease establishment costs	107,094	-
Accumulated amortisation	(9,961)	-
	97,133	-
Acquisition costs	3,221,172	3,221,172
Accumulated amortisation	(424,444)	(338,093)
	2,796,728	2,883,079
Total Non-Current Other Assets	3,073,258	3,155,164

NOTE 9: PAYABLES**Current**

Trade creditors	7,739	27,815
Accrued expenses	166,801	110,717
Rental/Outgoings received in advance	330	5,672
Other creditors	26,800	-
	201,670	144,204

NOTE 10: INTEREST BEARING LIABILITIES**Current**

Bank overdraft – secured	963,144	-
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The Syndicate has a Revolving Line of Credit which is currently limited to \$1,000,000. The facility is secured by a Second Registered Mortgage over the Land and Buildings and Plant and Equipment of each of the three properties

Non-Current

Mortgage Loans	22,775,000	22,775,000
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NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2002

- (a) The Mortgage Loans are as follows:

A Mortgage Loan from Colonial Funds Management Limited comprising a five year facility for \$10,585,000 secured by a First Registered Mortgage over the land and buildings and plant and equipment at Anzac Square Offices, Cnr Edward & Adelaide Streets Brisbane. Interest on the loan is payable monthly in arrears on the first day of each month.

- (b) A Mortgage Loan from ANZ Funds Management Limited comprising a fixed five year facility of \$12,190,000 secured by a First Registered Mortgage over the land and buildings and plant and equipment at both Bretts MacGregor, 544 Kessels Road MacGregor and The Precinct, Cnr Harries Road and Holdsworth Street Coorparoo. Interest on the loan is payable monthly in arrears on the first day of each month.

- (c) The borrowings which are secured by mortgages over the Properties, were undertaken by Property Funds Australia Limited as Manager of the Syndicate and on behalf of the Investors. Trust Company of Australia Limited as Custodian granted the mortgages on behalf of the owners. Neither the Investors, Manager or Custodian are liable beyond the value of the equity subscribed.

	2002 \$	2001 \$
NOTE 11: SYNDICATE MEMBERS' EQUITY		
Contributed Capital	16,600,000	16,600,000
Accumulated profits/(losses) beginning of financial year	(541,027)	(460,430)
Current year profit/(loss)	(352,479)	(80,596)
Accumulated distributions beginning of financial year	(3,447,649)	(1,840,025)
Current year distributions	(1,610,201)	(1,607,623)
	<u>10,648,644</u>	<u>12,611,326</u>

The number of lots on issue in the Syndicate at year end

16,600,000 16,600,000

There were no issues or withdrawals during the year



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2002

	2002 \$	2001 \$
NOTE 12: RESERVES		
Opening balance	-	-
Asset Revaluation increment	6,061,904	-
Closing balance	6,061,904	-

The purpose of the Asset Revaluation Reserve is to record the revaluation increments and decrements.

NOTE 13: NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

Cash at the end of financial period as shown in The Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows: (refer to note 4 & 10)

Cash at bank	118,112	755,149
Bank overdraft – secured	(963,144)	-
	(845,032)	755,149

Reconciliation of net cash provided by activities to profit from ordinary activities after income tax expense

Profit/(Loss) from ordinary activities	(352,479)	(80,596)
--	-----------	----------

Non cash flows in profit from ordinary activities:

Amortisation – Prospectus Costs	15,614	15,614
Amortisation – Syndicate Formation and Prospectus Legal Costs	13,567	13,567
Amortisation – Acquisition Costs	86,351	111,194
Amortisation – Lease Establishment Costs	9,961	-
Amortisation – Borrowing Costs	69,656	69,178
Depreciation	1,045,130	1,315,316

Changes in Assets and Liabilities:

Decrease/(Increase) in Receivables	(68,529)	307,146
Decrease/(Increase) in Current Other Assets	(2,912)	400
Decrease/(Increase) in Borrowing Costs	(6,150)	-
Increase/(Decrease) in Payables	57,466	55,431
Net Cash Provided by Operating Activities	867,675	1,807,250



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2002

NOTE 14: EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year, the Syndicate has paid a Distribution to Syndicate Members for the month of June 2002 totalling \$134,184 (30 June, 2001 \$134,184).

NOTE 15: PRINCIPAL ACTIVITY

The principal activity of The Metropolitan Collection - Brisbane Syndicate is investment in income producing commercial buildings at MacGregor, Anzac Square and Coorparoo, Brisbane, Queensland.

NOTE 16: CONTINGENT LIABILITY

Sale Performance Management Fees

In accordance with the prospectus and Syndicate Constitution, the Manager is entitled to remuneration as follows:-

- (i) In consideration for arranging the sale of the Real Estate and for the administration of the termination of this Syndicate and only in the event that the sale price of the Real Estate after deduction of agents' fees, legal fees relating to the sale, advertising and auction expenses exceeds the Purchase Price of the Real Estate, the Manager will be paid 2% of the sale price of the Real Estate. Such sum will be paid to the Manager upon the date that the sale proceeds are received by the Manager.
- (ii) If upon the sale of the last of the Individual Properties all of the Real Estate has been sold during the term of the Syndicate at a price, which after the deduction of agent's fees and expenses of sale, has resulted in a premium on the subscribed amount by Owners at:-
 - a. More than 50% on their original subscribed amount, then the Manager will be paid an additional fee ("the Additional Fee") of 2.5% calculated on the gross sale price achieved in respect of all of the Real Estate before the subtraction of the usual selling expenses; or
 - b. 50% or less but more than 30% on their original subscribed amount, then the Manager will be paid a marginal fee ("the Marginal Fee") of 1.5% calculated on the gross sale price achieved in respect of all of the Real Estate before the subtraction of the usual selling expenses;

PROVIDED HOWEVER that if the payment of the Additional Fee or Marginal Fee reduces the premium on the subscribed amount to less than 50% or 30% respectively then the Additional Fee or Marginal Fee will reduce by an amount that will ensure that the 50% or 30% premium is payable to each Owner.

This is outlined in Section 17.3 of the prospectus or Clause 18.4 and 18.5 of the Syndicate Constitution.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2002

NOTE 17: OPERATING LEASE COMMITMENT RECEIVABLE

Operating Lease Commitments contracted as receivables:

	2002	2001
	\$	\$
- not later than 1 year	4,052,953	3,495,259
- later than 1 year but not later than 5 years	14,275,192	9,466,112
- later than 5 years	5,985,873	3,023,491
Aggregate lease revenue contracted for at balance date	24,314,018	15,984,862

NOTE 18: OTHER STATUTORY INFORMATION

- (a) The Syndicate was deemed to have commenced operations on the Commencement Date, being 1 February, 1999 (the date of receipt by the Custodian of the first Contribution). Under the Syndicate Constitution the property cannot be held for more than eight years from 1 April, 1999 unless all of the Investors agree that it should be retained for a further period.
- (b) The Metropolitan Collection - Brisbane Syndicate has converted as at 27 June, 2000 (the conversion date) to a registered management investment scheme under the Managed Investments Act 1998. Trust Company of Australia Limited retired as Trustee of the Syndicate and was appointed Custodian of all assets of the Metropolitan Collection - Brisbane Syndicate as at conversion date. Property Funds Australia Limited is now the single responsible entity of the Metropolitan Collection - Brisbane Syndicate.
- (c) The Metropolitan Collection - Brisbane Trust owns 45.60% of the Metropolitan Collection - Brisbane Syndicate.
- (d) The land title to the property is registered in the name of Trust Company of Australia Limited who is appointed under the Custody Agreement to act as nominee on behalf of the Manager.
- (e) Property Funds Australia Limited ACN 078 199 569 is the Responsible Entity and Manager of The Metropolitan Collection - Brisbane Syndicate.

The registered office and principal place of business for the Manager is as follows:

Level 23, Central Plaza 2
66 Eagle Street
BRISBANE QLD 4000

- (f) The Metropolitan Collection - Brisbane Syndicate is a Syndicate domiciled in Australia.



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2002

2002
\$2001
\$**NOTE 19: RELATED PARTY TRANSACTIONS**

- (i) Details of the Manager and the Custodian are as follows:-

Manager

Property Funds Australia Limited ACN 078 199 569
Directors who held office during the period were -

Christopher Arthur Morton
Archibald Norman Douglas
Elizabeth Ann Pidgeon (appointed 30 August, 2001)
Clive Douglas Schulz (resigned 28 February, 2002)
David John Conquest
Matthew Bradley Madsen (appointed 30 August, 2001)
Rodney Michael Keown (resigned 16 August, 2001)

As at 30 June, 2002 the Manager and associates held
105,000 \$1 lots (2001: 105,000 \$1 lots) in the Syndicate.

Custodian

Trust Company of Australia Limited ACN 004 027 749
Directors who held office during the period were -

James Gordon Moffat – Chairman
John Gregory Macarthur – Vice Chairman
Jonathan Westaby Sweeney – Managing Director
Warren John McLeland
Robert Bruce Corlett
Robert David Jeremy
Robert Frantley Lloyd
Bruce Graham Barker (resigned 3 September, 2001)

- (ii) Related party transactions during the period were as follows:-

The Manager

Syndicate Management Fee for the
period was paid to Property Funds
Australia Limited as provided for in
the prospectus and the Syndicate
Constitution.

207,101

223,963



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2002

	2002 \$	2001 \$
Inhouse Accountancy Fee for the period was paid to Property Funds Australia Limited. This fee was determined on a commercial basis.	21,040	11,200
PRD Realty Pty Ltd for property management services for the period.	14,333	44,385
<u>The Custodian</u>		
Custodian fee for the period was paid to Trust Company of Australia Limited in accordance with the Custody Agreement.	15,900	15,008
<u>Investment Management Australia Limited</u>		
Messrs A. Douglas and C. Schultz, Directors of the Manager, are Directors of Investment Management Australia Limited. Investment Management Australia Limited was paid a fee for assisting the Compliance Committee to perform its statutory functions.	2,190	3,563

NOTE 20: FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The Syndicate's exposure to interest rate risk, which is the risk that the Syndicate debt will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on the classes of financial assets and financial liabilities, is as follows:



NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for the Year Ended 30 June, 2002

(b) Net Fair Values

The net fair values of all financial assets and liabilities approximates their carrying values.

	Weighted Average Effective Interest Rate		Floating Interest Rate		1 to 5 Years		Non – Interest Bearing		Total	
	30/06/02	30/06/01	30/06/02	30/06/01	30/06/02	30/06/01	30/06/02	30/06/01	30/06/02	30/06/01
Financial Assets										
Cash	4.7	5.5	-	-	118,112	755,149	-	-	118,112	755,149
Other	-	-	-	-	-	-	250	250	250	250
Receivables	-	-	-	-	-	-	77,700	9,171	77,700	9,171
Total Financial Assets			-	-	118,112	755,149	77,950	9,421	196,062	764,570
Financial Liabilities										
Interest Bearing Liabilities										
Payables	7.0	7.0	10,585,000	-	13,153,144	22,775,000	-	-	23,788,144	22,775,000
	-	-	-	-	-	-	201,670	144,204	201,670	144,204
Total Financial Liabilities			10,585,000	-	13,153,144	22,775,000	201,670	144,204	23,939,814	22,919,204

NOTE 21: SEGMENT INFORMATION

The Syndicate operates in one business segment, being property investment and in one geographical segment being Australia.



DECLARATION BY THE DIRECTORS OF THE MANAGER

The directors of Property Funds Australia Limited as Manager of The Metropolitan Collection – Brisbane Syndicate declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Syndicate's financial position as at 30 June, 2002 and of its performance for the year ended on that date;
2. in the directors' opinion, there are reasonable grounds to believe that The Metropolitan Collection – Brisbane Syndicate will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of Property Funds Australia Limited.

C A Morton
Managing Director

Brisbane
25 September, 2002



INDEPENDENT AUDIT REPORT TO SYNDICATE MEMBERS

Scope

We have audited the Financial Report of The Metropolitan Collection – Brisbane Syndicate being the Declaration by the Directors of the Manager, Statement of Financial Performance, Statement of Financial Position and Notes to the Financial Statements for the financial year ended 30 June, 2002. The Trustee is responsible for the preparation and presentation of the financial statements and the information they contain. The Manager has prepared the financial statements from accounting records maintained by the Manager. We have conducted an independent audit of these financial statements in order to express an opinion on them to the owners.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), statutory requirements and the terms of the Syndicate Constitution so as to present a view which is consistent with our understanding of The Metropolitan Collection – Brisbane Syndicate's financial position, the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report is in accordance with:-

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the scheme's financial position as at 30 June, 2002 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations;
- (b) other mandatory professional reporting requirements; and
- (c) the terms of the Syndicate Constitution.

BDO KENDALLS

Chartered Accountants
Brisbane
25 September, 2002

P A Gallagher

Partner



DIRECTORY

MANAGER

Property Funds Australia Limited
ACN 078 199 569

Registered Office & Principal Place of Business

Level 23, Central Plaza Two
66 Eagle Street
BRISBANE Q 4000

Phone: (07) 3221 7170

Fax: (07) 3221 6729

Postal Address

PO Box 10398
BRISBANE ADELAIDE ST Q 4000

CUSTODIAN

Trust Company of Australia Limited
ACN 004 027 749
213 St Paul's Terrace
BRISBANE Q 4000

TAXATION ADVISER

Property Funds Australia Limited
Level 23, Central Plaza Two
66 Eagle Street
BRISBANE Q 4000

DIRECTORS OF THE MANAGER

Christopher A Morton (Managing
Director)
Archibald N Douglas
Elizabeth A Pidgeon
David J Conquest
Matthew B Madsen

REGISTRY

Property Funds Australia Limited
Level 23
Central Plaza Two
66 Eagle Street
BRISBANE Q 4000

AUDITOR

BDO Kendalls
Level 18
300 Queen Street
BRISBANE Q 4000

SOLICITORS FOR MANAGER

McCullough Robertson
Level 12, Central Plaza Two
66 Eagle Street
BRISBANE Q 4000



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